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WILLIAM T. NEARY

**UNITED STATES BANKRUPTCY COURT**  
**NORTHERN DISTRICT OF CALIFORNIA**

In re	)	Case No. 01-30923 DM
	)	
PACIFIC GAS AND ELECTRIC	)	Chapter 11
COMPANY, a California corporation,	)	
	)	Date: September 8, 2003
	)	Time: 9:30 a.m.
Debtor.	)	Place: 235 Pine St. 22 <sup>nd</sup> Flr.
	)	San Francisco ,CA
	)	

**U.S. TRUSTEE'S OBJECTION TO PLAN OF REORGANIZATION JOINTLY  
PROPOSED BY DEBTOR, ITS PARENT AND THE CREDITOR'S COMMITTEE**

The United States Trustee for the Northern District of California hereby objects to the jointly proposed Plan of Reorganization on a number of bases.

The Plan proposes to pay pre-confirmation fees of the Parent and the CPUC without fee application and noticed hearing as required by § 503 (b). Proponents rely on § 1129(a)(4), however, there is no case law under this Code section allowing such broad circumvention of the standards of § 503(b) for pre-confirmation professional services by parties in interest/creditors who have not been employed in the case.

In addition, proponents have not even supplied an alternative approval process

1 that is required by § 1129(a)(4). We submit fees for all pre-confirmation work by the  
2 Parent and the CPUC be allowed only pursuant to § 503(b). To do otherwise, would  
3 make a mockery of the tight controls imposed on employed professionals fees allowed  
4 up to now for their pre-confirmation work.

5 During the time from confirmation to the effective date (which will be CPUC  
6 settlement approval, March, 2004 or another date as modified by agreement), no  
7 assets re-vest and the debtor is still a DIP. During this period, we submit that  
8 employed professionals be paid as they have in the past, pursuant to § 330 through  
9 noticed application. By the same token, the Parent and CPUC should only be paid  
10 pursuant to § 503(b). This is required by the Code as the debtor is still a DIP. In  
11 addition, if the final contingencies are not satisfied, it will make voiding the post-  
12 confirmation payments much more practical. To do otherwise, would make unwinding  
13 the payments very difficult, if not impossible.

### 14 15 **CONCLUSION**

16 As set forth above, the terms for payment of professional fees and costs are  
17 improper because they do not comply with §§ 503(b) and 330. Thus, the U.S. Trustee  
18 respectfully requests that his objection to the Plan be sustained.

19  
20 Dated: September 2, 2003

Respectfully submitted,

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Patricia A. Cutler  
23 Assistant U.S. Trustee  
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